Dr. Pixley Ka Isaka Seme Local Municipality
(Registration number MP304)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Service delivery
Mayoral committee	
Executive Mayor	PV Malatsi
Councillors	MA Dlangamandla
	OT Shabangu
	SN Nxumalo
	L De Jager
	BJ Mhlanga
	TP Dakile
	BG Mavuso
	GO Ngwenya
	TV Hlakutse
	V Vilakazi
	FE Mahlaba
	TE Manana
	BS Mavuso
	NLP Moloi
	LM Nkomo
	GR Nkambule
	XI Simelane
	IL Mkhwanazi
	TA Mazibuko
	PJ Maseko
Grading of local authority	3
Chief Finance Officer (CFO)	M Phetla
Accounting Officer	LB Tshabalala
Business address	Dr Nelson Mandela and Adelaide Tambo Street Volksrust 2470
Postal address	Private bag X 9011 Volksrust 2470
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	Coetzee, Spoelstra and Van Zyl Mjali and Zimema Attorneys TMN Kgomo and Associates
Telephone and Fax	(017) 734 - 6100 (Telephone) 086 630 2209 (Fax)
E-mail:	records@pixleykaseme.gov.za

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

LB Tshabalala
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
LB Tshabalala	South African

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

8. Non compliance with applicable legislation

We are not aware of any non-compliance with regulations and applicable legislations.

Dr. Pixley Ka Isaka Seme Local Municipality
(Registration number MP304)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Non-Current Assets			
Investment property	3	108 186 306	110 082 308
Property, plant and equipment	4	620 554 655	608 396 040
Intangible assets	5	1	-
Heritage assets	6	3 485 999	3 485 999
		732 226 961	**721 964 347**
Current Assets			
Financial assets	7	741 057	741 057
Inventories	9	1 664 443	796 258
Receivables from exchange transactions	10	376 048 858	(10 247 733)
Receivables from non-exchange transactions	11	53 876 560	89 350 127
Cash and cash equivalents	13	144 861 478	94 669 084
VAT receivable		207 152	-
		577 399 548	**175 308 793**
Total Assets		**1 309 626 509**	**897 273 140**
Liabilities			
Current Liabilities			
Employee benefit obligation	8	1 684 867	1 276 297
Bank overdraft	13	2 272 820	-
Finance lease obligation	14	425 344	94 401
Unspent conditional grants and receipts	15	15 225 576	738 907
Provisions	16	3 028 334	757 050
Payables from exchange transactions	17	52 373 156	34 235 000
VAT payable	18	-	10 317 440
Consumer deposits	19	1 695 187	2 014 636
		76 705 284	**49 433 731**
Non-Current Liabilities			
Employee benefit obligation	8	26 393 243	23 456 360
Finance lease obligation	14	282 834	192 250
Provisions	16	28 385 920	20 098 331
Provision for water supply		152 409 442	87 277 109
		207 471 439	**131 024 050**
Total Liabilities		**284 176 723**	**180 457 781**
Net Assets		**1 025 449 786**	**716 815 359**
Accumulated surplus		1 025 449 786	716 815 359

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	90 667 447	94 171 844
Rental from Fixed Assets	22	1 634 093	2 728 143
Agency Services	25	3 842 078	5 490 729
Operational Revenue	26	1 618 957	1 138 273
Interest, Dividend and Rent on Land	27	35 479 571	43 994 000
Gains and Losses: Fair value adjustments		7 583	40 858
Gain on disposal of assets and liabilities		2 480 592	-
Actuarial gains		-	1 739 080
Inventories reversal		222 788	-
Total revenue from exchange transactions		**135 953 109**	**149 302 927**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	37 931 238	36 513 942
Transfer revenue			
Government grants and subsidies	29	162 527 156	145 963 402
Public contributions and donations		-	6 790 370
Traffic fines		199 243	329 364
Total revenue from non-exchange transactions		**200 657 637**	**189 597 078**
Total revenue	20	**336 610 746**	**338 900 005**
Expenditure			
Employee related costs	30	(84 836 838)	(74 750 632)
Remuneration of councillors	31	(13 465 993)	(8 358 196)
Depreciation and amortisation	32	(77 682 794)	(41 684 431)
Finance costs	33	(3 018 107)	(3 574 003)
Lease rentals on operating lease	24	(19 729)	(54 305)
Debt Impairment	34	13 348 867	(98 581 244)
Bulk purchases	35	(63 669 512)	(65 693 128)
Contracted services	36	(24 896 166)	(28 739 892)
Loss on disposal of assets and liabilities		-	(808 187)
Actuarial losses		(1 232 848)	-
Inventories losses/write-downs		-	(1 483 465)
Operational Cost	37	(26 995 058)	(25 529 281)
Total expenditure		**(282 468 178)**	**(349 256 764)**
Surplus (deficit) for the year		**54 142 568**	**(10 356 759)**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**674 745 132**	**674 745 132**
Changes in net assets		
Surplus for the year	(10 356 759)	(10 356 759)
Total changes	(10 356 759)	(10 356 759)
Opening balance as previously reported	971 307 218	971 307 218
Restated* Balance at 01 July 2018 as restated*	**971 307 218**	**971 307 218**
Changes in net assets		
Surplus for the year	54 142 568	54 142 568
Total changes	54 142 568	54 142 568
Balance at 30 June 2019	**1 025 449 786**	**1 025 449 786**

Note(s)

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		230 038 031	115 894 126
Grants		177 013 825	146 052 984
Interest income		35 479 571	7 436 193
Property rates		37 931 238	43 630 676
		480 462 665	313 013 979
Payments			
Employee costs		(98 364 961)	(80 569 868)
Suppliers		(172 431 073)	(138 181 244)
Bulk purchases		12 595 618	-
		(258 200 416)	(218 751 112)
Net cash flows from operating activities	38	**222 262 249**	**94 262 867**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(12 395 002)	(42 269 545)
Net cash flows from investing activities		**(50 326 240)**	**(85 900 221)**
Cash flows from financing activities			
Finance lease payments		100 613	(65 336)
Net increase/(decrease) in cash and cash equivalents		**172 036 622**	**8 297 310**
Cash and cash equivalents at the beginning of the year		94 669 084	86 371 774
Cash and cash equivalents at the end of the year	13	**266 705 706**	**94 669 084**

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	162 650 000	-	**162 650 000**	90 667 447	**(71 982 553)**	1
Rental of facilities and equipment	1 101 000	-	**1 101 000**	1 634 093	**533 093**	2
Agency fees	10 750 000	-	**10 750 000**	3 842 078	**(6 907 922)**	4
Transfer and subsidies	110 596 000	-	**110 596 000**	7 583	**(110 588 417)**	
Other income - (rollup)	2 074 000	-	**2 074 000**	1 618 957	**(455 043)**	5
Interest received - investment	31 497 000	-	**31 497 000**	35 479 571	**3 982 571**	6
Gains on disposal of assets	1 500 000	-	**1 500 000**	-	**(1 500 000)**	
Total revenue from exchange transactions	**320 168 000**	**-**	**320 168 000**	**133 249 729**	**(186 918 271)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	47 921 000	-	**47 921 000**	37 931 238	**(9 989 762)**	7
Transfer revenue						
Transfer and Subsidies	110 596 000	-	**110 596 000**	162 527 156	**51 931 156**	8
Fines, Penalties and Forfeits	-	-	**-**	199 243	**199 243**	9
Total revenue from non-exchange transactions	**158 517 000**	**-**	**158 517 000**	**200 657 637**	**42 140 637**	
Total revenue	**478 685 000**	**-**	**478 685 000**	**333 907 366**	**(144 777 634)**	
Expenditure						
Employee related costs	(84 656 000)	-	**(84 656 000)**	(84 836 838)	**(180 838)**	
Remuneration of councillors	(9 056 000)	-	**(9 056 000)**	(13 465 993)	**(4 409 993)**	
Depreciation and amortisation	(41 000 000)	-	**(41 000 000)**	(77 682 794)	**(36 682 794)**	10
Finance costs	-	-	**-**	(3 018 107)	**(3 018 107)**	11
Lease rentals on operating lease	-	-	**-**	(19 729)	**(19 729)**	
Debt impairment	-	-	**-**	13 348 867	**13 348 867**	12
Bulk purchases	(59 057)	-	**(59 057)**	(63 669 512)	**(63 610 455)**	
Contracted Services	-	-	**-**	(24 896 166)	**(24 896 166)**	
General Expenses	(129 493)	-	**(129 493)**	(26 995 058)	**(26 865 565)**	
Total expenditure	**(134 900 550)**	**-**	**(134 900 550)**	**(281 235 330)**	**(146 334 780)**	
Operating surplus	**343 784 450**	**-**	**343 784 450**	**52 672 036**	**(291 112 414)**	
Gain on disposal of assets and liabilities	-	-	**-**	2 480 592	**2 480 592**	
Actuarial gains/losses	-	-	**-**	(1 232 848)	**(1 232 848)**	
Inventories losses/write-downs	-	-	**-**	222 788	**222 788**	
	-	**-**	**-**	**1 470 532**	**1 470 532**	
Surplus before taxation	**343 784 450**	**-**	**343 784 450**	**54 142 568**	**(289 641 882)**	
Surplus for the year from continuing operations	**343 784 450**	**-**	**343 784 450**	**54 142 568**	**(289 641 882)**	
Capital budget	-	-	**-**	-	**-**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**343 784 450**	**-**	**343 784 450**	**54 142 568**	**(289 641 882)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value has been made by management. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On trade receivables from exchange and non-exchange transactions, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Depreciation method**	**Average useful life**
Land	Straight line	Unlimited
Buildings	Straight line	30 - 50 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 10 years
Community Assets	Straight line	30 - 75 years
Electrical Infrastructure	Straight line	20 - 50 years
Roads Infrastructure	Straight line	15 - 30 years
Sanitation Infrastructure	Straight line	15 - 50 years
Water Infrastructure	Straight line	15 - 20 years
Machinery and equipment	Straight line	5 - 30 years
Specialised vehicles	Straight line	20 - 50 years

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Accounting Policies

1.8 Heritage assets (continued)

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.9 Leases (continued)

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non cash-generating assets, are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity’s informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;

1.12 Employee benefits (continued)

- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long service awards

The municipality has an obligation to provide for long term service awards to all its employees who have been in service of the municipality for a certain period of time. According to the rules of the long service allowance scheme, which the municipality institutes and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5,10,15,20,25,30,35,40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long service awards are recognised in the statement of financial performance.

The amount recognised as a liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a
• possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
• present obligation that arises from past events but is not recognised because: it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.15 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.16 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2017 to 30 June 2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Accounting Policies

1.25 Related parties (continued)

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

3. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	134 156 110	(25 969 804)	108 186 306	134 156 110	(24 073 802)	110 082 308

Reconciliation of investment property - 2019

	Opening balance	**Depreciation**	**Total**
Investment property	110 082 308	(1 896 002)	108 186 306

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	67 102 610	(490 091)	66 612 519	57 597 633	(1)	57 597 632
Buildings	96 416 685	(47 456 128)	48 960 557	96 416 685	(47 456 128)	48 960 557
Solid waste disposal	31 336 328	(46 675 245)	(15 338 917)	10 136 465	(5 400 761)	4 735 704
Furniture and fixtures	1 645 056	(1 744 809)	(99 753)	1 645 056	(1 313 780)	331 276
Transport Assets	26 724 425	(8 172 756)	18 551 669	20 394 394	(6 178 443)	14 215 951
IT equipment	21 976 680	(21 616 766)	359 914	707 287	(258 509)	448 778
MV Networks	99 449 419	(2 560 778)	96 888 641	98 883 280	(60 369 632)	38 513 648
Infrastructure	47 066 270	(75 506 835)	(28 440 565)	33 578 362	(11 776 429)	21 801 933
Community	19 855 179	(9 528 726)	10 326 453	32 287 498	(9 528 726)	22 758 772
Road Infrastructure	375 848 269	(251 866 271)	123 981 998	373 288 500	(234 703 068)	138 585 432
LV Networks	69 291 206	(35 542 972)	33 748 234	77 437 428	(35 542 972)	41 894 456
HV Transmission Conductors	1 289 706	(315 800)	973 906	1 289 706	(124 105)	1 165 601
Storm water Infrastructure	39 994 104	(49 859 499)	(9 865 395)	39 246 504	(21 586 454)	17 660 050
Machinery and equipment	-	(43 635)	(43 635)	312 951	(148 060)	164 891
Reservoirs	15 451 930	(1 449 887)	14 002 043	14 960 855	(6 031 503)	8 929 352
Sanitation infrastructure	125 419 793	(9 394 828)	116 024 965	87 706 256	(39 300 005)	48 406 251
Leased Assets	320 914	(176 594)	144 320	320 914	(44 571)	276 343
Construction work in progress	24 876 893	-	24 876 893	23 160 959	-	23 160 959
Water Bulk Mains	224 289 109	(144 993 648)	79 295 461	127 293 030	(58 455 614)	68 837 416
Wastewater network	987 239	(1 403 821)	(416 582)	125 122 792	(78 447 516)	46 675 276
Water network	40 011 929	-	40 011 929	5 334 784	(2 059 022)	3 275 762
Total	**1 329 353 744**	**(708 799 089)**	**620 554 655**	**1 227 121 339**	**(618 725 299)**	**608 396 040**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Land	57 597 632	9 801 822	(296 845)	(490 090)	66 612 519
Buildings	52 229 920	-	-	(3 269 363)	48 960 557
Solid waste disposal	(14 351 678)	-	-	(987 239)	(15 338 917)
Furniture and fixtures	(249 343)	387 988	-	(238 398)	(99 753)
Transport assets	20 545 982	-	-	(1 994 313)	18 551 669
IT equipment	383 568	-	-	(23 654)	359 914
MV Networks	101 037 594	-	-	(4 148 953)	96 888 641
Infrastructure	(25 079 791)	-	-	(3 360 774)	(28 440 565)
Community	11 061 547	-	-	(735 094)	10 326 453
Road Infrastructure	141 145 201	-	-	(17 163 203)	123 981 998
LV Network	41 894 456	-	-	(8 146 222)	33 748 234
HV Transmission Conductors	1 165 601	-	-	(191 695)	973 906
Storm Water Infrastructure	18 407 650	-	-	(28 273 045)	(9 865 395)
Machinery and Equipment	-	-	-	(43 635)	(43 635)
Reservoirs	14 742 025	709 905	-	(1 449 887)	14 002 043
Sanitation Infrastructure	109 402 206	16 017 587	-	(9 394 828)	116 024 965
Leased assets	188 891	-	-	(44 571)	144 320
Construction work in progress	24 876 893	-	-	-	24 876 893
Water Bulk Mains	79 295 461	-	-	-	79 295 461
Water treatment works	987 239	-	-	(1 403 821)	(416 582)
Water distribution	40 306 219	-	-	(294 290)	40 011 929
	675 587 273	**12 395 002**	**(10 331 660)**	**(81 653 075)**	**620 554 655**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	57 597 632	-	-	-	-	57 597 632
Buildings	51 748 416	-	-	-	(2 787 859)	48 960 557
Leasehold property	5 522 812	200 131	-	-	(987 239)	4 735 704

4. Property, plant and equipment (continued)

Furniture and fixtures	677 682	-	(133 944)	-	(212 462)	331 276
Motor vehicles	12 314 265	3 557 683	-	-	(1 655 997)	14 215 951
IT equipment	847 238	56 215	(337 690)	-	(116 985)	448 778
Computer software	40 440 547	-	-	1 151 485	(3 078 384)	38 513 648
Infrastructure	7 502 018	-	-	14 733 779	(433 864)	21 801 933
Community	23 493 865	-	-	-	(735 093)	22 758 772
Other property, plant and equipment	148 741 742	-	(674)	1 278 783	(11 434 419)	138 585 432
Ancillary fleet equipment and security	42 613 164	-	-	1 442 942	(2 161 650)	41 894 456
Artwork	1 208 592	-	-	-	(42 991)	1 165 601
Asset found	19 622 374	-	-	-	(1 962 324)	17 660 050
Other property, plant and equipment # 1	583 519	-	(335 880)	-	(82 748)	164 891
Communication equipment	9 228 569	-	-	-	(299 217)	8 929 352
Fare collection equipment	25 516 315	5 117 016	-	19 227 865	(1 454 945)	48 406 251
Other leased Assets # 1	-	320 914	-	-	(44 571)	276 343
Signage	23 212 586	39 807 956	-	(39 859 583)	-	23 160 959
Tools and loose gear	75 202 069	-	-	-	(6 364 653)	68 837 416
Wastewater network	52 929 692	-	-	-	(6 254 416)	46 675 276
Water network	1 452 920	-	-	2 024 729	(201 887)	3 275 762
	600 456 017	**49 059 915**	**(808 188)**	**-**	**(40 311 704)**	**608 396 040**

Depreciation rates

Land	Indefinite	Indefinite
Buildings	Straight line	30 - 50 Years
Furniture and fixtures	Straight line	7 - 10 Years
Motor vehicles	Straight line	5 - 10 Years
Office equipment	Straight line	5 - 10 Years
IT equipment	Straight line	5 - 10 Years
Community	Straight line	30 - 75 Years
Machinery and equipment	Straight line	5 - 10 Years
Electrical infrastructure	Straight line	20 - 50 years
Roads infrastructure	Straight line	15 - 30 years
Sanitation infrastructure	Straight line	15 - 20 years
Water infrastructure	Straight line	15 - 20 years
Specialised vehicles	Straight line	20 - 50 years

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Property, plant and equipment (continued)

Specialised vehicles	Straight line	20 Years
Leased Assets	Straight line	2 - 5 Years

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

	2019	2018
Sanitation Infrastructure	8 588 386	1 782 635
Buildings	27 335 595	17 740 539
Leasehold property	3 637 782	3 637 782
	39 561 763	**23 160 956**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	23 160 956	23 160 956
Additions/capital expenditure	5 353 715	5 353 715
Transferred to completed items	(5 353 715)	(5 353 715)
	23 160 956	**23 160 956**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	23 212 585	23 212 585
Additions/capital expenditure	39 807 956	39 807 956
Transferred to completed items	(39 859 584)	(39 859 584)
	23 160 957	**23 160 957**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 728 146	(1 728 145)	1	-	-	-

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Total**
Computer software, other	-	1	1

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Monuments: Culturally significant buildings	3 485 999	-	3 485 999	3 485 999	-	3 485 999

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Financial assets

Designated at fair value		
Unit trusts	741 057	741 057
The valuation of the shares are based on the fair value on the unit price and a number shares obtained as at 30 June 2019. The number of shares held with Old Mutual is 40,026,37 at a value of R1 851 4225		
Current assets		
Designated at fair value	741 057	741 057

8. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provices certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired member of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining working-lifetime of eligible employees is 18.1 years.

At the valuation date of 30 June 2019, membership of health care arrangements entitled to a post-employment medical aid subsidy was 129 in-service members (employees) and 22 continuation members (retirees and widows).

Post retirement gratuity plan

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 252 employees that are currently entitled to Long Service Awards. The expected remaining working-lifetime of eligible employees is 18.2 years.

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(20 507 359)	(20 323 788)
Fair value of plan assets	(1 918 127)	(4 108 031)
Expected employer benefit payment	821 116	-
Current service codt	(744 839)	(183 571)
Actuarial gain/ loss	(866 878)	(117 267)
	(23 216 087)	**(24 732 657)**
Non-current liabilities	(26 393 243)	(23 456 360)
Current liabilities	(1 684 867)	(1 276 297)
	(28 078 110)	**(24 732 657)**

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Opening balance	(20 507 359)	(20 323 788)
Service cost	(744 839)	(767 558)
Interest cost	(1 918 127)	(1 929 185)
Benefits paid	821 116	730 751
Actuarial gain	(866 878)	1 782 421
Net expense recognised in the statement of financial performance	(1 611 697)	-
	(24 827 784)	**(20 507 359)**

Net expense recognised in the statement of financial performance

	2019	2018
Current service cost - Defined benefit plan	(744 839)	(765 558)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Employee benefit obligations (continued)

Past service cost - long service award	(382 130)	(361 616)
Interest cost - defined benefit plan	(1 918 127)	(1 929 185)
Interest cost long service award	(343 806)	(321 154)
Actuarial gain - defined benefit plan	866 878	1 782 421
Actuarial loss - long service award	(365 970)	(43 341)
Benefit paid - defined benefit plan	821 116	730 751
Benefit vesting - long service award	455 181	608 844
	(1 611 697)	**(298 838)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	866 878	1 782 421
Actuarial (gains) losses – Plan assets	(365 970)	(43 341)
	500 908	**1 739 080**

Changes in the fair value of Long service award obligation are as follows:

Opening balance	(4 225 298)	(4 108 031)
current service cost	(382 130)	(361 616)
Interest cost	(343 806)	(321 154)
Expected benefits vesting	455 181	608 844
Actuarial loss	(365 970)	(43 341)
	(4 862 023)	**(4 225 298)**

The municipality expects to contribute 840 471 (2018: 821 116) to its defined benefit plans in the following financial year (expected medical aid contributions).

Key assumptions used

Assumptions used at the reporting date:

Discount rate (D) - Defined benefit plan	9.38 %	9.54 %
Discount rate (D) - Long Service awards	8.11 %	8.59 %
General salary inflation (long term)	5.51 %	6.84 %
Health cost inflation	6.84 %	7.34 %
Net discount rate (health care cost)	2.38 %	2.05 %
Net effective discount rate (long service award)	2.46 %	2.25 %

DEFINED BENEFIT PLAN

- ***Explanation of assumptions used***

Two of the most important financial variables used in the GRAP 25 valuation is the net discount rate and the medical inflation rate.

The medical inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. South Africa has experienced significant increases in health care cost inflation in recent years.

The average retirement age for all active employyes was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

It is difficult to predict future future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires financial assumptions be based on market expectations at the valuation date for the period which the obligations are to be settled. .

Discount rate.

8. Employee benefit obligations (continued)

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields with the estimated term of the post employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current rates along the yield curve.
Consequently, a discount rate of 9.38% per annum has been used. The corresponding index-linked yield at this term is 3.02%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2018.
Health Care Cost Inflation Rate
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. Any assumption regarding future medical scheme contribution increases is therefore subjective.
A health care cost inflation rate of 6.84% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 5.34%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.38% which derives from ((1 + 9.38%)/(1 + 3.36%))-1.
The next contribution increase was assumed to occur with effect from 1 January 2020

Maximum Subsidy Inflation Rate

It has been assumed that the next salary increase will take place on 1 July 2020.

This assumption is required to reflect estimated future changes in the maximum amount to which subisidies are limited.

This maximum amount is set at R4,492.35 for the year ending 30 June 2019.

The future salary inflation assumpation of 6.34%, was set to be 1% above expected CPI inflation. Thus, a maximum subsidy inflation
assumption of 4.76% was assumed.

LONG SERVICE AWARDS

d
Discount rate
As stipulated above, GRAP 25 requires that the discount rate used should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. Consequently, a discount rate of 8.11% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.11% is then derived as the liability-weighted average of the yields derived in the first step The corresponding liability-weighted index-linked yield is 2.97%.
These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018. The liability-weighted average term of the total liability is 6.74 years.
Salary inflation rate
This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.
A general salary inflation rate of 6.20% per annum over the expected term of the liability has been assumed, which is 1% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.25%.
It has been assumed that the next salary increase will take place on 1 July 2019.
Average retirement age
The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health, early and late retirement.t

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Inventories

Consumable stores	1 465 838	698 456
Water for distribution	198 605	97 802
	1 664 443	**796 258**

Carrying value of inventories carried at fair value less costs to sell	1 664 443	796 258
Inventories recognised as an expense during the year	1 001 494	1 483 465

10. Receivables from exchange transactions

Debtors for sale of stands	20 517	1 208 554
Sundry receivables	-	2 043 530
Electricity	16 279 844	(7 655 089)
Water	2 100 440	(15 560 691)
Waste water	7 182 587	20 420 631
Refuse	36 073 947	(2 898 549)
Merchandising, Jobbing and contracts	314 391 523	(7 806 119)
	376 048 858	**(10 247 733)**

The debtor for sale of stands receivable represents proceeds owing from purchasers for property owned by the municipality that has been sold.

11. Receivables from non-exchange transactions

Fines	194 758	194 758
Insurance claims	-	3 150
Rates	53 681 802	89 152 219
	53 876 560	**89 350 127**

12. Consumer debtors

Included in above is receivables from exchange transactions		
Electricity	-	5 742 469
Merchandising, jobbing and contracts	29 122 441	35 510 822
Sewerage	4 556 721	3 093 922
Refuse	11 024 207	8 810 872
Business service levies	7 072 613	5 068 814
	51 775 982	**58 226 899**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	22 798 398	28 273 000
Net balance	**74 574 380**	**86 499 899**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Consumer debtors (continued)

Rates

Current (0 -30 days)	1 694 117	1 936 591
31 - 60 days	1 649 806	1 427 349
61 - 90 days	1 972 927	1 319 673
91 - 120 days	1 222 543	1 218 141
121 - 180 days	1 224 768	1 069 617
> 181 days	71 580 218	62 749 026
	79 344 379	**69 720 397**

Electricity

Current (0 -30 days)	772 184	2 920 765
31 - 60 days	809 867	1 194 989
61 - 90 days	480 146	534 504
91 - 120 days	508 704	538 546
121 - 365 days	401 342	319 193
> 365 days	25 293 602	21 831 745
	28 265 845	**27 339 742**

Water

Current (0 -30 days)	1 605 645	2 128 036
31 - 60 days	1 514 958	1 612 267
61 - 90 days	1 684 867	1 388 165
91 - 120 days	1 580 972	1 646 300
121 - 365 days	1 963 378	1 441 381
> 365 days	97 692 460	91 168 426
	106 042 280	**99 384 575**

Waste water

Current (0 -30 days)	1 070 978	1 123 936
31 - 60 days	1 008 329	959 504
61 - 90 days	978 444	914 825
91 - 120 days	958 242	879 837
121 - 365 days	933 041	860 562
> 365 days	52 787 685	44 971 328
	57 736 719	**49 709 992**

Refuse

Current (0 -30 days)	618 477	673 237
31 - 60 days	579 988	550 787
61 - 90 days	560 321	522 242
91 - 120 days	544 830	497 869
121 - 365 days	528 553	485 233
> 365 days	28 804 983	24 629 558
	31 637 152	**27 358 926**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Consumer debtors (continued)

Merchandising, jobbing and contracts		
Current (0 -30 days)	4 690 284	5 085 062
31 - 60 days	4 961 357	4 554 580
61 - 90 days	4 543 185	4 292 665
91 - 120 days	4 893 985	4 242 887
121 - 180 days	4 732 287	4 059 246
> 181 days	213 542 132	169 327 311
	237 363 230	**191 561 751**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	130 710 693	94 669 084
Short-term deposits	11 877 965	11 877 965
	142 588 658	**106 547 049**
Current assets	144 861 478	793 899 371
Current liabilities	(2 272 820)	(699 230 287)
	266 705 706	**94 669 084**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
FIRST NATIONAL BANK - Primary Account - 5418-0010-025	113 584 968	100 648 787	79 399 000	130 710 693	85 097 859	76 805 035
FIRST NATIONAL BANK - MIG Account - 7438-8117-704	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242
FIRST NATIONAL BANK - Account Type - 6209-2639-875	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910
STANDARD BANK - Account Type - 038-749-688	-	81 073	76 587	81 069	81 073	76 587
Total	**123 075 120**	**110 220 012**	**88 965 739**	**140 281 914**	**94 669 084**	**86 371 774**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Finance lease obligation

Minimum lease payments due		
- within one year	484 858	142 061
- in second to fifth year inclusive	282 834	224 930
	767 692	366 991
less: future finance charges	(59 514)	(80 341)
Present value of minimum lease payments	**708 178**	**286 650**

Present value of minimum lease payments due		
- within one year	434 196	94 401
- in second to fifth year inclusive	273 983	192 249
	708 179	**286 650**

Non-current liabilities	282 834	192 250
Current liabilities	425 344	94 401
	708 178	**286 651**

The municipality entered into a 36 month lease contract with Konica Minolta which had a commencement date of 1 February 2018. The legal nature of the lease agreement is an operating lease but substance over form prevails in the context of GRAP 13. The lease agreement meets the requirements of a finance lease and has been accounted for as such in accordance with GRAP 13.

The average lease term is three years. The prime interest rate of 10.25% was used to perform the discounting of the present value of future minimum lease payments.

The lease arrangement with Konica Minolta has fixed repayments with the last payment being made on the 1st of January 2021.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (Schedule 5B)	4 109 603	134 427
Public Works Programme Integrated Grant	(10 935 221)	-
Financial Management Grant	651 820	-
Infrastructure Skills Development Grant	552 741	425 454
INEP Grant	1 017 652	-
Municipal Disaster Grant	179 026	179 026
Unspent Grant Equity	11 226 000	-
Unspent Grant LGFMG	8 423 955	-
	15 225 576	**738 907**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

The unspent portion of the municipal infrastructure grant is held in a 7 day notice ring-fenced investment with FNB until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Unwinding of discount rate	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	20 855 381	757 048	280 898	9 520 927	31 414 254

	2019	2018
Non-current liabilities	28 385 920	20 098 331
Current liabilities	3 028 334	757 050
	31 414 254	**20 855 381**

The warranty provision represents management's best estimate of the municipality's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The municipality moved from its previous leased premises. The lease in non-cancellable and the lease continue for the next - years. The municipality cannot find a lessee to occupy the premises.

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The discount rate was deduced from the GOVI longbond. The annualised rate as at 30 June 2018 was 9.90%. The consumer price inflation of 6.05% was also factored into the discount rate which resulted in a net discount rate of 3.63%.

The environmental rehabilitation provision relates to four landfill sites namely Volksrust, Amersfoort, Wakkerstroom and Perdekop. For the Volksrust and Amersfoort sites, the number of years until closure is three and twelve years respectively, whilst the Wakkerstroom and Perdekop landfill sites have been closed.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

17. Payables from exchange transactions

	2019	2018
Trade payables	4 861 564	11 465 831
Payments received in advanced - contract in process	7 778 431	8 120 287
Retentions	20 913 292	4 727 992
Accrued leave pay	5 172 854	4 493 219
Other payables	7 103 612	(460 281)
Unallocated Deposit	6 543 403	5 887 952
	52 373 156	**34 235 000**

18. VAT payable

	2019	2018
Tax refunds payables	-	10 317 440

19. Consumer deposits

	2019	2018
Electricity	1 599 792	1 961 846
Housing rental	95 395	52 790
	1 695 187	**2 014 636**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Revenue

Service charges	90 667 447	94 171 844
Rental of facilities and equipment	1 634 093	2 728 143
Fees earned	3 842 078	5 490 729
Financial instruments - Fee income	7 583	40 858
Other income - (rollup)	1 618 957	1 138 273
Interest received - investment	35 479 571	43 994 000
Property rates	37 931 238	36 513 942
Government grants & subsidies	162 527 156	145 963 402
Public contributions and donations	-	6 790 370
Fines, Penalties and Forfeits	199 243	329 364
	333 907 366	**337 160 925**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	90 667 447	94 171 844
Rental of facilities and equipment	1 634 093	2 728 143
Fees earned	3 842 078	5 490 729
Financial instruments - Fee income	7 583	40 858
Other income - (rollup)	1 618 957	1 138 273
Interest received - investment	35 479 571	43 994 000
	133 249 729	**147 563 847**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	37 931 238	36 513 942
Transfer revenue		
Government grants & subsidies	162 527 156	145 963 402
Public contributions and donations	-	6 790 370
Fines, Penalties and Forfeits	199 243	329 364
	200 657 637	**189 597 078**

21. Service charges

Sale of electricity	39 900 596	52 399 840
Sale of water	25 496 346	19 137 492
Solid waste	9 423 409	8 485 312
Sewerage and sanitation charges	15 847 096	14 149 200
	90 667 447	**94 171 844**

22. Rental of facilities and equipment

Premises		
Premises	1 608 971	2 712 081
Venue hire	25 122	16 062
	1 634 093	**2 728 143**

23. Fines, Penalties and Forfeits

Building Fines	100 402	216 013
Illegal Connections Fines	98 841	113 351
	199 243	**329 364**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	19 729	54 305

25. Other revenue

Fees earned	3 842 078	5 490 729
Financial instruments - Fee income	7 583	40 858
Other income - (rollup)	1 618 957	1 138 273
	5 468 618	**6 669 860**

26. Other income

Sale of Property	1 726 160	313 000
Incidental Cash Surpluses	(447 594)	45 339
Merchandising, jobbing and contracts	-	358 742
Rental of property	71 113	105 357
Clearance Certificates	21 483	20 842
Cemetery services	91 333	74 245
Library and valuation fees	85 277	157 561
Publications	71 185	63 187
	1 618 957	**1 138 273**

27. Investment revenue

Interest revenue		
Bank	2 752 699	7 182 127
Interest charged on trade and other receivables	32 726 872	36 811 873
	35 479 571	**43 994 000**

OIPThe interest charged oon trade and other receivables represents interest levied on consumer debtor accounts who are in arrear with payments due to the municipality

The amount included in Investment revenue arising from non-exchange transactions amounted to -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Property rates

Rates received

Residential	15 078 746	13 492 317
Commercial	667 610	6 536 377
State	10 191 922	9 456 623
Small holdings and farms	8 416 770	6 915 853
Mining Properties	2 429 886	11 256
Public Benefit Organisations	1 146 304	2 285 249
Less: Income forgone	-	(2 183 733)
	37 931 238	**36 513 942**

Valuations

Residential	4 189 970 830	4 189 970 830
Commercial	1 747 009 050	1 747 009 050
State	597 997 700	597 997 700
Municipal	454 331 300	454 331 300
Small holdings and farms	312 942 400	312 942 400
Property rates 3	96 694 000	96 694 000
Property rates 4	49 997 100	49 997 100
Less: Income forgone	47 402 500	47 402 500
	7 496 344 880	**7 496 344 880**

General Valuations (GV) on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of - (2018: -) is applied to property valuations to determine assessment rates. Rebates of -% (2018: -%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being (). Interest at prime plus 1% per annum (2018: -%) and a collection fee of -% (2018: -%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2018.

29. Government grants and subsidies

Operating grants		
Equitable share	95 885 479	96 311 830
Local Government Financial Management Grant	497 783	1 699 999
Infrastructure Skills Development Grant	(147 780)	1 759 000
	96 235 482	**99 770 829**
Capital grants		
Municipal Infrastructure Grant	51 059 730	29 192 573
Electricity General INEP Grant	12 267 582	17 000 000
EPWP Grant	2 964 362	-
	66 291 674	**46 192 573**
	162 527 156	**145 963 402**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. Employee related costs

Basic	53 910 247	47 903 634
Bonus	5 874 231	3 342 936
Medical aid - company contributions	-	2 986 998
UIF	-	412 688
WCA	404 866	-
SDL	707 875	604 233
Leave pay provision charge	-	1 545 516
Short term benefit 3	(62 100)	-
Other short term costs	14 093 061	23 998
Defined contribution plans	(90 701)	9 219 953
Overtime payments	-	4 577 321
Car allowance	2 465 969	1 439 569
Housing benefits and allowances	1 580 475	193 576
Other # 5	2 500 323	151 173
Other # 8	(117 950)	-
	81 266 296	**72 401 595**

31. Remuneration of councillors

Executive Major	872 149	840 313
Deputy Executive Mayor	3 422 666	-
Mayoral Committee Members	952 836	1 796 585
Speaker	714 127	681 128
Councillors	7 504 215	5 040 170
	13 465 993	**8 358 196**

32. Depreciation and amortisation

Property, plant and equipment	75 786 793	41 684 431
Investment property	1 896 001	-
	77 682 794	**41 684 431**

33. Finance costs

Trade and other payables	(877)	4 388
Finance leases	-	24 929
Fair value adjustments: Notional interest	3 018 984	3 544 686
	3 018 107	**3 574 003**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to - (2018: -).

34. Debt impairment

Debt impairment	(13 348 867)	98 581 244

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Bulk purchases

Electricity - Eskom	45 868 123	48 189 004
Water	17 801 389	17 504 124
	63 669 512	**65 693 128**

36. Contracted services

Presented previously		
Information Technology Services	400 000	12 305 344
Operating Leases	14 425 594	12 124 731
Specialist Services	575 268	4 309 817
Outsourced Services		
Security Services	2 333 914	-
Transport Services	85 056	-
Consultants and Professional Services		
Business and Advisory	1 743 082	-
Laboratory Services	3 466 950	-
Legal Cost	1 866 302	-
	24 896 166	**28 739 892**

37. General expenses

Advertising	549 572	493 972
Assessment rates & municipal charges	(132 235)	-
Auditors remuneration	5 373 778	4 772 813
Bank charges	384 275	406 854
Commission paid	293 059	2 234 348
Consumables	3 668 881	-
Entertainment	633 360	1 001 033
Insurance	1 576 902	3 041 063
IT expenses	7 217 856	986 733
Magazines, books and periodicals	780 707	350 572
Motor vehicle expenses	3 754	-
Fuel and oil	-	4 249 489
Productions	1 438 106	-
Postage and courier	223 851	-
Printing and stationery	-	915 071
Protective clothing	1 239 129	1 320 042
Subscriptions and membership fees	1 038 285	1 001 342
Telephone and fax	1 173 057	1 171 380
Transport and freight	-	91 375
Travel - local	-	1 059 857
Refuse	-	57 643
Assets expensed	-	255 728
Consumables	165 756	861 966
Deeds Search	135 965	-
Remuneration to Ward Committees	1 231 000	1 258 000
	26 995 058	**25 529 281**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Cash generated from operations

Surplus (deficit)	91 931 236	(10 356 759)
Adjustments for:		
Depreciation and amortisation	41 640 386	40 697 192
(Loss) gain on sale of assets and liabilities	(1 672 405)	808 187
Fair value adjustments	-	-
Impairment deficit	490 091	987 239
Debt impairment	(2 556 109)	98 581 244
Movements in retirement benefit assets and liabilities	3 345 453	300 838
Movement in tax receivable and payable	-	-
Annual charge for deferred tax	-	43 739 933
Bulk purchases	(91 201 292)	-
Other non-cash items	-	(685 931)
Changes in working capital:		
Inventories	(868 185)	1 898 687
Receivables from exchange transactions	3 231 567	(2 043 530)
Consumer debtors	(160 051 078)	(83 952 233)
Other receivables from non-exchange transactions	3 150	(33 144)
Payables from exchange transactions	139 151 065	(1 887 488)
VAT	51 149 296	5 743 187
Unspent conditional grants and receipts	147 988 523	89 582
Consumer deposits	(319 449)	350 934
Consumer deposits	-	24 929
	222 262 249	**94 262 867**

39. Commitments

Authorised operational expenditure

Already contracted for but not provided for		
• Property plant and equipment	105 714 014	18 464 947

Total operational commitments		
Already contracted for but not provided for	105 714 014	18 464 947

Total commitments

Total commitments		
Authorised capital expenditure	105 714 014	13 074 817
Authorised operational expenditure	5 213 522	18 464 947
	110 927 536	**31 539 764**

xxx

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	484 858	142 061
- in second to fifth year inclusive	282 834	224 930
	767 692	**366 991**

Operating lease payments represent rentals payable by the municipality for 12 of its office photocopiers starting on 1 February 2018. Monthly payments are as follows, 7 copiers at R 235.96 each, 3 copiers at R 1 150.86 and 2 copiers at R 3 367.07 per month excluding VAT. Konica Minolta is the lessor is the lessor. No contingent rent is payable.

40. Contingencies

Contingent liabilities

Barry Roberts: Claim for damages caused as a result of an unmarked bridge and road works by Barry Roberts amounts to R56,200 for both the 30 June 2019 and 30 June 2018 financial years.

Gabriel Du Toit: Gabriel Michael Du Toit alleges that a municipal employee negligently caused an accident. The matter is awaiting a court date. As at 30 June 2019 and 30 June 2018 the contingent liability amount owing was assessed as R29,190.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is been sued for violation of copyrights. The municipality's share of the potential claim amounts to -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

Mostert claim: Mr Mostert alleges to have been injured after falling into an open manhole. The contingent liability amounts to R75,000 as at 30 June 2019 and 30 June 2018 financial years.

Ulwazi Protection Services: The invoice for Ulwazi Protection Services is contested by the Municipality on the basis of the hours submitted and the total amount owing. The Municipality believes the probability of paying the exact amount is remote and that if the amount is paid, it will be at a reduced amount. As at 30 June 2018 and 30 June 2017 the contingent liability amount owing was assessed as R90,997

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

43. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of 1 025 449 786 and that the municipality's total liabilities exceed its assets by 1 025 449 786.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

44. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	2 251	229
Opening balance as restated	**2 251**	**229**
Add: Irregular Expenditure - prior period	556	2 022
Closing balance	**2 807**	**2 251**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

45. Irregular expenditure

Opening balance as previously reported	3 988 375	8 739 570
Add: Incurred in the prior year and identified in the current year	-	3 988 375
Opening balance as restated	**3 988 375**	**12 727 945**
Add: Irregular Expenditure - current	3 724 015	(8 739 570)
Closing balance	**7 712 390**	**3 988 375**

46. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	-	4 772 813
Amount paid - current year	-	(4 772 813)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Councillor BG Mavuso	8 432	-	8 432
Councillor GO Ngwenya	15 809	-	15 809
Councillor NLP Moloi	61 512	-	61 512
Councillor XI Simelane	3 068	-	3 068
Councillor BS Mavuso	146 362	-	146 362
Councillor FE Mahlaba	4 650	-	4 650
	239 833	**-**	**239 833**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)
June 2019

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	57 597 633	-	-	-	-	-	**57 597 633**	-	-	-	-	-	**-**	57 597 633
Landfill Sites (Separate for AFS purposes)	9 936 333	200 131	-	-	-	-	**10 136 464**	4 413 522	-	-	(987 239)	-	**3 426 283**	13 562 747
Buildings (Separate for AFS purposes)	96 416 699	-	-	-	-	-	**96 416 699**	(44 668 269)	-	-	(2 787 859)	-	**(47 456 128)**	48 960 571
	163 950 665	**200 131**	**-**	**-**	**-**	**-**	**164 150 796**	**(40 254 747)**	**-**	**-**	**(3 775 098)**	**-**	**(44 029 845)**	**120 120 951**
Infrastructure														
Roads, Pavements & Bridges	411 260 956	-	-	1 278 783	-	-	**412 539 739**	(242 896 841)	-	-	(13 396 744)	(10 122 484)	**(266 416 069)**	146 123 670
Water	270 686 732	-	-	-	-	-	**270 686 732**	(131 873 483)	-	-	(13 083 560)	(26 046)	**(144 983 089)**	125 703 643
Electricity	198 860 570	-	-	14 287 815	-	-	**213 148 385**	(102 096 251)	-	-	(5 666 908)	(274 444)	**(108 037 603)**	105 110 782
Work in Progress	23 212 585	41 523 890	-	(25 661 094)	-	-	**39 075 381**	-	-	-	-	-	**-**	39 075 381
	904 020 843	**41 523 890**	**-**	**(10 094 496)**	**-**	**-**	**935 450 237**	**(476 866 575)**	**-**	**-**	**(32 147 212)**	**(10 422 974)**	**(519 436 761)**	**416 013 476**

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Heritage assets														
Other	3 485 999	-	-	-	-	-	**3 485 999**	-	-	-	-	-	-	3 485 999
	3 485 999	**-**	**-**	**-**	**-**	**-**	**3 485 999**	**-**	**-**	**-**	**-**	**-**	**-**	**3 485 999**
Other assets														
Other Assets	4 197 473	56 215	(807 513)	-	-	-	**3 446 175**	(2 089 034)	-	-	(478 437)	-	**(2 567 471)**	878 704
Community Assets	32 287 497	-	-	-	-	-	**32 287 497**	(8 793 632)	-	-	(735 093)	-	**(9 528 725)**	22 758 772
Transport Assets	16 836 711	3 557 683	-	-	-	-	**20 394 394**	(4 522 446)	(453 621)	-	(1 655 996)	(188 393)	**(6 820 456)**	13 573 938
	53 321 681	**3 613 898**	**(807 513)**	**-**	**-**	**-**	**56 128 066**	**(19 553 203)**	**-**	**-**	**(4 829 604)**	**(170 719)**	**(24 553 526)**	**46 824 713**

Dr. Pixley Ka Isaka Seme Local Municipality
Appendix B (Unaudited)

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	163 950 665	200 131	-	-	-	-	**164 150 796**	(40 254 747)	-	-	(3 775 098)	-	**(44 029 845)**	120 120 951
Infrastructure	904 020 843	41 523 890	-	(10 094 496)	-	-	**935 450 237**	(476 866 575)	-	-	(32 147 212)	(10 422 974)	**(519 436 761)**	416 013 476
Heritage assets	3 485 999	-	-	-	-	-	**3 485 999**	-	-	-	-	-	**-**	3 485 999
Other assets	53 321 681	3 613 898	(807 513)	-	-	-	**56 128 066**	(19 553 203)	-	-	(4 829 604)	(170 719)	**(24 553 526)**	46 824 713
	1 124 779 188	**45 337 919**	**(807 513)**	**(10 094 496)**	**-**	**-**	**1 159 215 098**	**(536 674 525)**	**-**	**-**	**(40 751 914)**	**(10 593 693)**	**(588 020 132)**	**586 445 139**
Agricultural/Biological assets														
Intangible assets														
Other	1 728 146	-	-	-	-	-	**1 728 146**	(1 728 146)	-	-	-	-	**(1 728 146)**	-
	1 728 146	**-**	**-**	**-**	**-**	**-**	**1 728 146**	**(1 728 146)**	**-**	**-**	**-**	**-**	**(1 728 146)**	**-**
Investment properties														
Investment property	134 156 109	-	-	-	-	-	**134 156 109**	(24 677 797)	-	-	(1 174 049)	-	**(25 851 846)**	108 934 468
	134 156 109	**-**	**-**	**-**	**-**	**-**	**134 156 109**	**(24 677 797)**	**-**	**-**	**(1 174 049)**	**-**	**(25 851 846)**	**108 934 468**
Total														
Land and buildings	163 950 665	200 131	-	-	-	-	**164 150 796**	(40 254 747)	-	-	(3 775 098)	-	**(44 029 845)**	120 120 951
Infrastructure	904 020 843	41 523 890	-	(10 094 496)	-	-	**935 450 237**	(476 866 575)	-	-	(32 147 212)	(10 422 974)	**(519 436 761)**	416 013 476
Heritage assets	3 485 999	-	-	-	-	-	**3 485 999**	-	-	-	-	-	**-**	3 485 999
Other assets	53 321 681	3 613 898	(807 513)	-	-	-	**56 128 066**	(19 553 203)	-	-	(4 829 604)	(170 719)	**(24 553 526)**	46 824 713
Intangible assets	1 728 146	-	-	-	-	-	**1 728 146**	(1 728 146)	-	-	-	-	**(1 728 146)**	-
Investment properties	134 156 109	-	-	-	-	-	**134 156 109**	(24 677 797)	-	-	(1 174 049)	-	**(25 851 846)**	108 934 468
	1 260 663 443	**45 337 919**	**(807 513)**	**(10 094 496)**	**-**	**-**	**1 295 099 353**	**(563 080 468)**	**-**	**-**	**(41 925 963)**	**(10 593 693)**	**(615 600 124)**	**695 379 607**